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# Board Action Bulletin

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*Prepared by the Office of External Affairs*

## NCUA BOARD MEETING RESULTS FOR NOVEMBER 29, 2005

### Board approves 1.89 percent budget increase in 2006

The NCUA Board approved a 2006 budget of \$150,788,525, which represents a 1.89 percent increase over the 2005 budget.

The 2006 budget includes a reduction of three positions and brings the agency staffing level to 958 full-time positions. The staff level has declined 8.7 percent or 91 positions since 2000. The most significant budget item for 2006 is the annual average pay adjustment of 3.1 percent for employees, which adds \$2.5 million to pay and benefits.

NCUA develops its budget based on the economic outlook, initiatives of the President's Management Agenda, and concerns and trends within the credit union industry. The agency uses zero-based budgeting, which means each office within NCUA prepares an annual budget that begins with no authorized funds, and each item must be justified each budget cycle.

Major components of the 2006 budget include:

<u>Category</u>	<u>2005 Budget</u>	<u>2006 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Employee Pay	\$89,368,676	<b>\$88,455,207</b>	(\$913,469)	-1.02%
Employee Benefits	23,093,685	<b>23,957,208</b>	863,523	3.74%
Travel	12,818,897	<b>13,806,859</b>	987,962	7.71%
Rent, Communications & Utilities	3,930,100	<b>3,987,304</b>	57,204	1.46%
Administrative	10,498,368	<b>11,700,258</b>	1,201,890	11.45%
Contracted Services	8,286,418	<b>8,881,689</b>	595,271	7.18%
<b>Total</b>	<b>\$147,996,144</b>	<b>\$150,788,525</b>	<b>\$2,792,381</b>	<b>1.89%</b>
Subtotal Payroll	112,462,361	<b>112,412,415</b>	(49,946)	-0.04%
Subtotal Non-Payroll	35,533,783	<b>38,376,110</b>	2,842,327	8.00%

Among the major components, travel expenses are expected to increase \$988,000 or 7.71 percent in 2006 primarily based on next year's biennial regional conferences and general inflationary pressures. This increase also includes the cost control measure of moving training classes to less expensive locations across the country. Administrative expenses will increase

\$1.2 million or 11.45 percent in 2006 because of increased relocation expenses tied to the growing number of staff retirements and increased depreciation expenses.

Additionally, the budget authorizes capital acquisitions of \$5.3 million, of which \$4.5 million is for a three-year capital lease to replace computers for agency staff and state supervisory authorities. Every three years, the agency leases new laptop computers to remain current with advances in technology.

### **2006 overhead transfer rate set at 57 percent**

The NCUA Board set the National Credit Union Share Insurance Fund overhead transfer rate at 57.0 percent for 2006 based on the calculation method approved by the National Credit Union Administration Board in November 2003.

The overhead transfer rate is one of the funding sources for the NCUA budget. While it does not affect the amount of the NCUA budget, the overhead transfer from the National Credit Union Share Insurance Fund covers expenses associated with insurance related functions of NCUA operations.

### **Operating fee scale lowered**

The NCUA Board decreased the operating fee scale by 1.95 percent and increased the dividing points of the operating fee by 4.25 percent, the estimated amount of asset growth at federal credit unions during 2005. Operating fees are due on or before April 17, 2006.

NCUA is financed by the combined federal credit union operating fee and overhead transfer from the National Credit Union Administration Share Insurance Fund (NCUSIF). The approved 2006 NCUA budget is \$150.79 million. The 2006 overhead transfer allocation of 57 percent is applied to this amount, resulting in \$85.95 million in budgeted costs transferred to the NCUSIF. With a 2 percent budget variance included in the 2006 operating budget, adjustments attributed to interest, miscellaneous income and several additional adjustments, including \$1.04 million in operating fees from corporate credit unions, the net amount of \$61.41 million must be collected in federal credit union operating fees.

### **Community charter conversion approved**

The NCUA Board approved the conversion of JAX Federal Credit Union, Jacksonville, Fla., to convert from a multiple group to a community-based field of membership able to serve the people who live, work, worship, attend school, and businesses and other legal entities located in Baker, Clay, Duval, Nassau, or St. Johns Counties, Florida.

### **Post-employment restriction rule issued**

The NCUA Board issued a new Part 796 regulation implementing post-employment restrictions on certain senior examiners in compliance with Public Law 108-458.

Effective December 17, 2005, the final rule prohibits senior NCUA examiners, for one year after leaving NCUA, from accepting employment with a credit union they had continuing,

broad responsibility for examining for a total of two or more months during their last 12 months of NCUA employment.

### **Interim rule issued on bounced-check and overdraft protection**

The NCUA Board issued, with a 60-day comment period, interim final rule Part 707 requiring credit unions offering “bounced-check protection” or “courtesy overdraft protection” to disclose associated fees on periodic statements when an account is opened and in advertisements promoting the service.

Required by the Truth in Savings Act and effective upon publication in the Federal Register, with a mandatory compliance date of July 1, 2006, the new rule addresses the uniformity and adequacy of information provided to members when they overdraw their share accounts.

***Board votes are unanimous unless indicated***